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INTERSTATE COMMERCE COMMISSION

STEPTOE & JOHNSON

1250 CONNECTICUT AVENUE

WASHINGTON, D. C. 20036

CHERYL A. SKIGIN
(202) 862-2053

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RECORDATION NO. _____ Filed 1425

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INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

February 14, 1980 11498-~~A~~

RECORDATION NO. _____ Filed 1425

Ms. Agatha Mergenovich
Secretary
Interstate Commerce Commission
Office of the Secretary
SE Room 2215
Washington, D.C. 20423

No.

Date FEB 14 1980

Fee \$ 180.00

ICC Washington, D. C.

INTERSTATE COMMERCE COMMISSION

11498-~~B~~
RECORDATION NO. _____ Filed 1425

FEB 19 1980 3 10 PM

INTERSTATE COMMERCE COMMISSION

Dear Ms. Mergenovich:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. § 11303 are several copies of the following documents which relate to the railroad equipment hereafter identified:

1. Equipment Trust Agreement by and between Connecticut Bank and Trust Company as Trustee and Brae Corporation dated as of January 1, 1980.

2. An Assignment of Lease and Agreement dated as of February 11, 1980, by and between Brae Corporation and Connecticut Bank and Trust Company assigning the Lease Agreement entered into by and between Chicago West Pullman and Southern Railroad and Brae Corporation dated as of August 14, 1979.

3. A Substitution Agreement Number Two dated as of February 13, 1980, by and between Brae Corporation and Columbia & Cowlitz Railway Company substituting Equipment Schedules Nos. Two, Three and Four in place of the Equipment Schedule dated July 13, 1979, attached to the Lease previously recorded as document number 9875-0.

4. A Lease Agreement dated as of August 14, 1979, between Brae Corporation and the Chicago, West Pullman and Southern Railroad Company.

5. An Assignment of Lease and Agreement dated as of February 11, 1980, by and between Brae Corporation and Connecticut Bank and Trust Company assigning the Lease Agreement

Ms. Agatha Mergenovich
February 14, 1980
Page 2

entered into by and between Columbia & Cowlitz Railway Company and Brae Corporation dated as of July 13, 1979.

6. A Substitution Agreement dated as of February 8, 1980¹⁰ between Brae Corporation and the Chicago, West Pullman and Southern Railroad Company.

The equipment subject to these agreements is described more fully in the schedules attached to the Substitution Agreements.

Please file and record the documents previously enumerated and cross-index them under the names set forth above. Each document should be indexed under Brae Corporation and the Connecticut Bank and Trust Company. In addition, the Lease, Assignment and Substitution Agreements pertaining to the Chicago, West Pullman and Southern Railroad should be indexed under the Chicago, West Pullman and Southern Railroad and the Substitution Agreement and the Assignment of the Columbia & Cowlitz Railway Company should be indexed under the Columbia Cowlitz Railway. An additional \$50.00 has been included in the filing fee for this cross-indexing.

Since the documents are related to the same transaction, it is requested that all be assigned the same recordation number with consecutive letter designations for all documents after the first listed above.

A check payable to the Interstate Commerce Commission in the amount of \$170.00 is enclosed to cover the filing fees and the extra fees for cross-indexing.

Please return to the person presenting this letter your fee receipt, the enclosed copies of this letter and any copies of the documents not required for recordation, all stamped to indicate appropriate filing information.

Very truly yours,


Cheryl A. Skigin

Enclosures

Ms. Agatha Mergenovich
February 14, 1980
Page 3

The names and addresses of the parties to the transactions evicenced by the foregoing documents are as follows:

Company - Assignor - Lessor
Brae Corporation
3 Embarcadero Center Suite 1760
San Francisco, CA 94111

Trustee - Assignee
Connecticut Bank and Trust Company
1 Constitution Plaza
Hartford, CN 06115

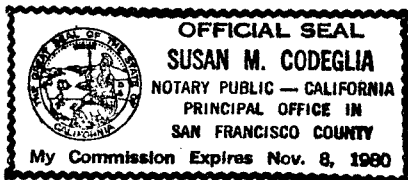
Lessee
Chicago West Pullman & Southern Railroad
2728 East 104th Street
Chicago, Il 60617

Lessee
Columbia & Cowlitz Railway Company
P.O. Box 188
Longview, WA 98632

STATE OF CALIFORNIA)
) SS.
COUNTY OF SAN FRANCISCO)

I, Susan M. Codeglia a Notary Public in and for the State of California, duly commissioned and sworn, do certify that on this 13th day of February, 1980, I carefully compared the annexed copy of the Lease Agreement with the original thereof, and that the same is a full, true and exact copy of said original Lease Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of San Francisco, the day and year in this certificate first above written.



[seal]

Susan M. Codeglia
Notary Public

My Commission Expires: Nov. 8, 1980

BRAE CORPORATION

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RECORDATION NO. Filed 1425
FEB 14 1980 - 3 10 PM
INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

LEASE AGREEMENT, made as of this 14th day of ... August, 1979,
between the BRAE CORPORATION, a Delaware corporation, Three Embarcadero Center, San Fran-
cisco, California 94111 ("BRAE"), as Lessor, and Chicago, West Pullman and Southern...
Railroad Company, an Illinois ... corporation, 2728 East 104th Street,
Chicago, Illinois 60617 (address of Lessee)
("Lessee"), as Lessee.

1. Scope of Agreement

A. BRAE agrees to lease to Lessee, and Lessee agrees to lease from BRAE, freight cars as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties to this Agreement that BRAE shall at all times be and remain the lessor of the Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The lease pursuant to this Agreement with respect to each Car shall commence when such Car has been delivered, as provided in Section 3A hereof, and shall continue until fifteen (15) years (the "initial lease term") have expired from the actual date of delivery, as provided in Section 3A hereof, for the last of the Cars described on the Schedule on which such Car is described.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "extended lease term") with respect to all of the Cars described on each Schedule, provided, however, that BRAE or Lessee may terminate this Agreement at the expiration of the initial or any extended lease term as to all, but not fewer than all, of the Cars on any Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial or such extended lease term, as the case may be.

3. Supply Provisions

A. BRAE will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to BRAE that the sample Car which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and BRAE's determination that the Car conforms to the specifications ordered by BRAE and to all

applicable governmental regulatory specifications, and if this Agreement has not then been terminated, BRAE will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed delivered to Lessee upon acceptance by BRAE. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by BRAE as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, BRAE can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of a Car, the lease hereunder with respect thereto shall commence and Lessee shall pay to BRAE the rent for such Car set forth in this Agreement, all upon acceptance of such Car by BRAE from the manufacturer. To move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "initial loading"), BRAE agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and BRAE, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars from any other party until it shall have received all of the Cars on the Schedule or Schedules. Lessee shall give preference to BRAE and shall load the Cars leased from BRAE prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; *provided, however*, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars may be leased from BRAE by Lessee only upon the mutual agreement of the parties hereto. Such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by BRAE and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to manufacturer's delivery schedules, the availability of financing on terms satisfactory to BRAE and the mutual acknowledgment of the parties that the addition of such Cars is not likely to reduce Utilization (as defined in Section 6A hereof) of all Cars on lease to Lessee to less than 87.5 per cent in any calendar quarter. If, due to any of the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the initial lease term shall terminate fifteen (15) years from the delivery date for the final Car actually delivered, as provided in Section 3A hereof.

D. See 3D. - Rider No. 1.

4. Railroad Markings and Record Keeping

A. BRAE and Lessee agree that on or before delivery of any Cars to Lessee, such Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. BRAE and Lessee further agree that any Car may also be marked with the name of BRAE and any other information required by an owner or secured party under a financing agreement entered into by BRAE in connection with the acquisition of such Car. All such names, insignia and other information shall comply with all applicable regulations.

B. At no cost to Lessee, BRAE shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but shall not be limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

substantially similar
BC-8/79

(Cars which are leased or purchased by Lessee to replace Cars acquired before this Agreement is consummated, shall be considered, themselves, as if they were cars Lessee prior to the execution of this Lease Agreement).

BRAE shall use reasonable efforts to optimize the utilization of the Cars. *KE*

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. BRAE shall, on behalf of Lessee, perform all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. ~~Correspondence from railroads using such Cars shall be addressed to Lessee at such address as BRAE shall select.~~

D. All record keeping performed by BRAE hereunder and a record of all payments, charges and correspondence related to the Cars shall be separately recorded and maintained by BRAE in a form suitable for reasonable inspection by Lessee from time to time during BRAE's regular business hours. Lessee shall supply BRAE with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as BRAE may reasonably request.

E. See 4E - Rider No. 2.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, BRAE will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its initial lease term and any extended lease term, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to BRAE for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to BRAE all of its right, title and interest in any warranty in respect of the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by BRAE at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to BRAE.

B. Except as provided in Section 5A hereof, BRAE shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of BRAE, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by BRAE. BRAE shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs, at BRAE's expense, to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without BRAE's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without BRAE's prior written consent, Lessee shall be liable to BRAE for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with BRAE (or its assignee).

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules—Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by obtaining insurance. Lessee shall also maintain bodily injury and property damage liability insurance. Lessee shall furnish to BRAE concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months certificates of insurance with respect to such insurance signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and BRAE (or its assignee) as their interests may appear.

D. BRAE agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery

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4. , at BRAE's expense.

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5. in reasonable amounts and limits and with reasonable retention limits consistent with prudent business practice.

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or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. BRAE shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. BRAE and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. BRAE shall review all applicable tax returns prior to filing.

6. Lease Rental

A. Lessee agrees, subject to Section 6D hereof, to pay the following rent to BRAE for the use of the Cars:

an amount equal to

(i) BRAE shall receive all payments made to Lessee by other railroad companies for their use or handling of the Cars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments") if the Utilization of all of the Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 90 per cent. For the purpose of determining Utilization, "Car Hour" shall mean one hour during which one Car is on lease hereunder, commencing on the first loading of such Car. For the purpose of this Agreement, "Utilization" shall mean with respect to any period a fraction the numerator of which is (x) the aggregate number of Car Hours for which payments are earned by the Lessee during such period, and the denominator of which is (y) the aggregate number of Car Hours during such period. In addition, BRAE will receive, as additional rental, all monies earned by the Cars prior to their initial loading.

(ii) In the event Utilization exceeds 90 per cent in any calendar year, BRAE shall receive an amount equal to the BRAE Base Rental ~~plus one-half of the payments made by other railroads for use or handling of the Cars in excess of the BRAE Base Rental~~. For the purpose hereof, BRAE Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 90 per cent and the denominator of which is the Utilization for such calendar year. (The above determination of BRAE Base Rental insures that Lessee will, if Utilization is greater than 90 per cent in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Cars in excess of the BRAE Base Rental.)

(iii) If BRAE pays other railroads to move Cars in accordance with Section 3A hereof, except for any payments incurred to deliver such Cars to Lessee's railroad line, Lessee shall reimburse BRAE for such payments, but only from and out of the monies received by Lessee pursuant to Subsection 6A(ii) hereof.

(iv) The rental charges payable to BRAE by Lessee shall be paid from the payments received by Lessee in the following order until BRAE receives the amounts due it pursuant to this Section 6A: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other.

(v) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by BRAE, the damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that car hire payments ceased.

See 6B, in Rider No. 3

~~B. BRAE shall receive all payments made to Lessee by other railroad companies for their use or handling of the Cars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments") if the Utilization of all of the Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 90 per cent. For the purpose of determining Utilization, "Car Hour" shall mean one hour during which one Car is on lease hereunder, commencing on the first loading of such Car. For the purpose of this Agreement, "Utilization" shall mean with respect to any period a fraction the numerator of which is (x) the aggregate number of Car Hours for which payments are earned by the Lessee during such period, and the denominator of which is (y) the aggregate number of Car Hours during such period. In addition, BRAE will receive, as additional rental, all monies earned by the Cars prior to their initial loading.~~

6. , personal property/ad valorem taxes

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7. 70, 25

8. first loading of such Car on any Railroad.

9. Lessee shall receive and retain all of the demurrage revenues, paid by other parties for the use of these cars.

rel. 171
RE2

C. If at any time during a calendar quarter, the number of days that the Cars have not earned car hire payments is such as to make it mathematically certain that the Utilization in such calendar quarter cannot be equal to or greater than 87.5 per cent, BRAE may, at its option and upon not less than ten (10) days' prior written notice to Lessee, terminate this Agreement as to such Cars as BRAE shall determine.

[illegible]

7. Possession and Use

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist (except as provided in Section 7A) any mortgage, pledge, lien, charge, encumbrance, or other security interest

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or claim on or with respect to the Cars or any interest therein or in this Agreement or any Schedule hereto. Lessee will promptly, at its expense, take such action as may be necessary duly to discharge any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten (10) days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten (10) days ~~thereafter~~ ¹⁰

(iii) Any act of insolvency or bankruptcy by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of filing or appointment.

(v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the laws of the United States of America or of any state. ¹¹

(vii) Lessee shall be merged with or consolidated into another corporation which after such merger or consolidation shall have a net worth less than that of Lessee immediately prior thereto.

B. Upon the occurrence of any event of default, BRAE may, at its option,

(i) Terminate this Agreement, proceed by any lawful means to recover damages for a breach hereof, and terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate and thereupon BRAE may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee, provided that BRAE shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to the date on which BRAE took such possession; or

(ii) Proceed by any lawful means to enforce performance by Lessee of this Agreement. Lessee agrees to bear the costs and expenses, including without limitation reasonable attorneys' fees, incurred by BRAE in connection with the exercise of its remedies pursuant to this Section 8B.

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9. Termination

At the expiration or termination of this Agreement as to any Car, Lessee will surrender possession of such Car to BRAE by delivering the same to BRAE at such place reasonably convenient to Lessee as BRAE shall designate. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from such Car and the placing thereon of such markings as may be designated by BRAE, either, at the option of BRAE, (1) by Lessee upon return of such Car to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such

BC-6/79

10. after notice of such breach. 6

11. major

~~12. (iii) Notwithstanding the foregoing, Lessee shall not have a right to recover any damages based on lost revenue or profits which would otherwise be payable by Lessee to BRAE in the event of termination of this Agreement.~~
~~xxx~~

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Car. If such Car is not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Car to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by BRAE. If such Car is on the railroad line of Lessee upon such expiration or termination or is subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five (5) working days remove Lessee's railroad markings from such Car and place thereon such markings as may be designated by BRAE. After the removal and replacement of markings, Lessee shall use its best efforts to load such Car with freight and deliver it to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days' free storage on its railroad tracks for BRAE or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to Sections ~~88~~ 6E or 8 hereof prior to the end of its lease term, Lessee shall be liable to BRAE for all costs and expenses incurred by BRAE to repaint such Car and place thereon the markings and name or other insignia of BRAE's subsequent lessee.

10. Indemnities

BRAE will defend, indemnify and hold Lessee harmless from and against (1) any and all claims based upon loss or damage to the Cars, unless occurring while Lessee has physical possession of Cars and (2) any other type of claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars (unless occurring through the fault of Lessee), including without limitation claims with respect to the construction, purchase, delivery to Lessee's railroad line, ownership, leasing, return, use, maintenance, repair, replacement, operation or condition (whether defects, if any, are latent or are discoverable by BRAE or Lessee) of the Cars. 12

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has all necessary corporate power and authority, permits and licenses to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to BRAE in writing, nor is Lessee a party to any agreement or instrument nor subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the ability of the Lessee to perform its obligations under this Agreement.

(v) Lessee has during the years 1964-1968 neither built, leased nor purchased any new or rebuilt freight cars.

12. Inspection

BRAE shall at any time during normal business hours ¹⁴ have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify BRAE of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify BRAE in writing within five (5) days after any attachment, tax, 12. BRAE will provide Lessee with documentation (i.e., certificates of insurance) which shall confirm the above. BC-6/75

13. substantially similar

14. , at BRAE's own risk,

lien or other judicial process shall attach to any Car. Lessee shall furnish to BRAE promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements submitted to the ICC or its shareholders generally.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of BRAE assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void. Lessee agrees to acknowledge, upon receipt, any assignment of this Agreement by BRAE to an owner or secured party under any financing agreement entered into by BRAE in connection with the acquisition of all or part of the Cars leased hereunder. Lessee hereby agrees that any such assignment may be with respect to all or part of the Cars to be leased hereunder and may relate to all or part of the Cars on any Schedule hereto. Any assignment of this Agreement by BRAE to an owner or secured party shall not subject that owner or secured party to any of BRAE's obligations hereunder. Those obligations shall remain enforceable by Lessee solely against BRAE.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by BRAE in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 hereof and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by BRAE shall constitute a waiver or otherwise affect or impair any right, power or remedy available to BRAE nor shall any waiver or indulgence by BRAE or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or three days after deposit in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth in the preamble to this Agreement.

G. No security interest in this Agreement, as chattel paper (as defined in the Uniform Commercial Code), may be created by the transfer of possession except by transfer of an original, duplicate or photocopy of this Agreement and the only original counterpart of the applicable Schedule or Schedules. The original counterpart of each Schedule shall be marked "Original" and delivered to BRAE and all other counterparts thereof shall be duplicates and shall be marked "Duplicate."

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BRAE CORPORATION

BY: 

TITLE: President

DATE: September 21, 1979

CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANY

BY: 

TITLE: _____

DATE: 8-14-79

EQUIPMENT SCHEDULE No.1

Company

BRAE CORPORATION hereby leases the following Cars to Chicago, West Pullman and Southern Railroad pursuant to that certain Lease Agreement dated as of August 14, 1979.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola 100 Ton		52'6"		5'		100

BRAE CORPORATION

BY: 

TITLE: President

DATE: September 21, 1979

CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANYBY: 

TITLE:

DATE: 8-14-79

EQUIPMENT SCHEDULE No.2

Compan

BRAE CORPORATION hereby leases the following Cars to Chicago, West Pullman and Southern Railroad pursuant to that certain Lease Agreement dated as of August 14, 1979..

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola 100 Ton		52'6"		5'		100

BRAE CORPORATION

BY: 

TITLE: President

DATE: September 21, 1979

CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANYBY: 

TITLE:

DATE: 8-14-79

EQUIPMENT SCHEDULE No. 3

Company

BRAE CORPORATION hereby leases the following Cars to Chicago, West Pullman and Southern Railroad pursuant to that certain Lease Agreement dated as of August 14, 1979.

A.A.R. Meth. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola 100 Ton		52'6"		11'		100

BRAE CORPORATION

BY: 

TITLE: President

DATE: September 21, 1979

BC-8/78

CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANYBY: 

TITLE:

DATE: 8-14-79

EQUIPMENT SCHEDULE No. 4

Company

BRAE CORPORATION hereby leases the following Cars to Chicago, West Pullman and Southern Railroad pursuant to that certain Lease Agreement dated as of August 14, 1979.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola 100 Ton		52'6"		8'6"		100

BRAE CORPORATION

BY: 

TITLE: President

DATE: September 21, 1979

CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANYBY: 

TITLE:

DATE: 8-14-79

EQUIPMENT SCHEDULE No. 5

Compan

BRAE CORPORATION hereby leases the following Cars to Chicago, West Pullman and Southern Railroad pursuant to that certain Lease Agreement dated as of August 14, 1979.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola 100 Ton		52'6"		5'6"		100

BRAE CORPORATION

BY: 

TITLE: President

DATE: September 21, 1979

BC-8/78

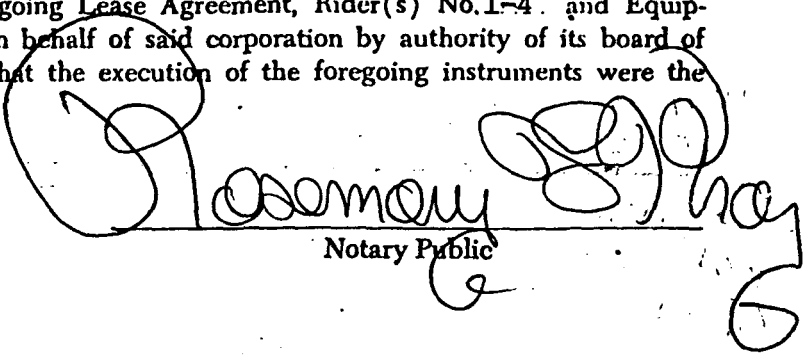
CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANYBY: 

TITLE:

DATE: 8-14-79

STATE OF ILLINOIS.....}
COUNTY OF COOK.....}

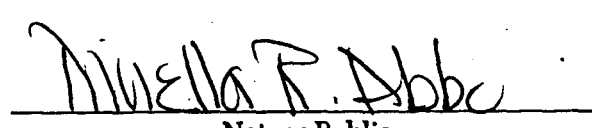
On this 14th day of August....., 1979, before me personally appeared Robert E. Smith to me personally known, who being by me duly sworn says that such person is Gen. Manager... of cago, West Pullman & Southern Railroad, that the foregoing Lease Agreement, Rider(s) No. 1-4 and Equipment Schedule(s) No. 1-5 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.


Notary Public

STATE OF California.....}
COUNTY OF San Francisco.....}

On this 21st day of September, 1979, before me personally appeared William J. Texido to me personally known, who being by me duly sworn says that such person is President... of BRAE CORPORATION, that the foregoing Lease Agreement, Rider(s) No. 1-4 and Equipment Schedule(s) No. 1-5 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.




Notary Public

9/21

Rider No. 1 to the Lease Agreement dated August 14, 1979, between Chicago, West Pullman & Southern Railroad Company ("Lessee") and BRAE Corporation.

Section 3 is hereby amended by adding, thereto, the following Section 3D, as follows:

3D. Within forty-five (45) days after the execution of this Agreement, BRAE shall provide Lessee with the delivery schedule for the cars. Upon receipt of such delivery schedule, Lessee may, at its option, within ten (10) days terminate its obligation to lease such cars, but only such cars which do not conform to the delivery schedule set forth below:

<u>Delivery Date</u>	<u>Number of Cars</u>
1/31/80	150
4/30/80	150
6/30/80	200

In the event that the actual delivery of the cars is delayed beyond the agreed-upon delivery schedule by reason of the manufacturer's failure to adhere to its manufacturing schedule, BRAE shall not be liable for such delayed delivery, nor shall Lessee have the right to refuse acceptance of such cars*under this Agreement because of such delayed delivery.

* Unless such cars are not delivered by December 31, 1980.

BRAE CORPORATION

CHICAGO, WEST PULLMAN & SOUTHERN RAILROAD COMPANY

By: 

By: 

Title: President

Title: _____

Date: September 21, 1979

Date: 9-12-79

Rider No. 2 to the Lease Agreement dated August 14, 1979, between Chicago, West Pullman & Southern Railroad Company ("Lessee") and BRAE Corporation.

Section 4 is hereby amended by adding, thereto, the following Section 4E, as follows:

4E. In order for BRAE to keep timely records of car hire payments made to Lessee by other railroads, Lessee shall forward to BRAE a complete copy of each monthly Car Hire Report by the 22nd calendar day of that month.

BRAE CORPORATION

CHICAGO, WEST PULLMAN & SOUTHERN RAILROAD COMPANY

By: 

By: 

Title: President

Title: _____

Date: September 21, 1979

Date: 9-12-79

Rider No. 3 to the Lease Agreement dated August 14, 1979, between Chicago, West Pullman & Southern Railroad Company ("Lessee") and BRAE Corporation.

Section 6B is hereby deleted in its entirety, and the following Section 6B is added:

6B. (i) In order for BRAE to collect all payments made to Lessee by other railroad companies, BRAE shall draw a draft against Lessee the last business day of the second month following the month in which payments are earned (the 'Service Month') for the total payments received by Lessee for the Cars.

(ii) The calculations required above shall be made within five months after the end of each calendar year. However, to enable Lessee to share in the revenue on a timely basis, BRAE shall pay to Lessee, on the last business day of the third month following the Service Month, an amount equal to their share of the revenue for hours earned in that Service Month. Further, within three months after the end of each quarter, except within five months after the end of the calendar year, BRAE shall pay to Lessee on a year-to-date basis amounts still due to Lessee including Lessee's share of the mileage revenues collected for applicable Service Months.

BRAE CORPORATION

CHICAGO, WEST PULLMAN & SOUTHERN RAILROAD COMPANY

By: 

By: 

Title: President

Title: _____

Date: September 21, 1979

Date: 9-12-79

Rider No. 4 to the Lease Agreement dated _____, 1979, between Chicago, West Pullman & Southern Railroad Company ("Lessee") and BRAE Corporation.

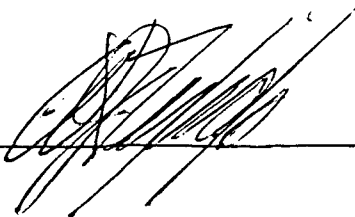
Section 6D is hereby deleted in its entirety, and the following Section 6B is added:

6D. If the ICC shall, at any time, (1) issue an order reducing incentive car hire payments for cars or (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this Section 6, BRAE may, at its election which shall be effective promptly upon written notice to Lessee, either (i) terminate this Agreement, or (ii) keep this Agreement in effect except that it shall be modified so that thereafter the rent which Lessee shall pay to BRAE for the use of the Cars, notwithstanding anything contained in Section 6A hereof to the contrary, shall be equal to (x) 70% of all payments of whatever character assuming 100% utilization, made to Lessee by other railroad companies for use or handling of the Cars, including but not limited to, mileage charges, straight car hire payments and incentive car hire payments, plus (y) 1% of such payments for each net incremental reduction in incentive car hire payments of 4% as is ordered by the ICC (up to a maximum of 90% in years 1-5, 91.6% in years 6-10, and 93% in years 11-15). If the ICC designates future increase in straight car hire as a direct replacement for the reduced incentive per diem, in all or part, the Lessee's revenue sharing percentage shall be reinstated at a level which is calculated by using the formula in (ii) above. (net incremental reduction is the difference over a twelve-month period between the reduction in incentive per diem and the corresponding increase in straight car hire).

BRAE CORPORATION

CHICAGO, WEST PULLMAN AND SOUTHERN
RAILROAD COMPANY

By: _____



By: _____



Title: President

Title: _____

Date: September 21, 1979

Date: _____

8-14-79